

SHOTS IN THE DARK?

Can we really measure how much
developing countries are losing from tax
avoidance?

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NO

But of course it
doesn't
matter.....

Sense is more
important than
accuracy

HUGE AMOUNTS ...

“Every year poorer countries lose three times more to tax havens than they receive in all overseas aid. Corporate tax dodging allows some of the world’s biggest businesses to avoid paying their fair share of tax, depriving governments of funds for vital services like schools, healthcare and water.”

*“A recent study indicates that about **\$100 billion** annual tax revenue is lost to developing countries in transactions directly linked to offshore hubs ...For the schoolchild in Haiti, the new mother in Malawi, or the farmer in Bangladesh, these losses have a real impact: They result in classrooms that are overcrowded, health clinics that are never built, and water that is never delivered.”*


(Trustees report of an international NGO, and a senior World Bank executive)

How big is \$100+ billion:

3 CAUTIONS

- Not all recoverable – very rough economic estimates
- Not mainly in the poorest countries – mainly China, India, Brazil, Mexico, Indonesia etc...
- Not free money – tax incidence falls on human beings – investors, workers and consumers (or some combination)

If 5 billion people in developing countries, then \$20 per person per year – not a 'huge' amount



Myths and misunderstandings

“South Africa loses two thirds of its gold to misinvoicing”.

“60% of illicit flows relate to multinational corporations”.

“Africa loses \$34 billion annually to transfer pricing abuse”.

“European countries loses 1 trillion euros a year to international tax avoidance and evasion”

Can Stopping 'Tax Dodging' by Multinational Enterprises Close the Gap in Development Finance?
(Centre for Global Development, 2015)

Illicit Flows and Trade Misinvoicing: Are we Looking Under the Wrong Lamppost? (CMI, 2016)

Why it matters

Understanding needed for good policy

Distracted priorities?

'Everyone's at it' undermining tax morale

Overheated expectations → tax uncertainty

A photograph of a red neon sign that reads "There are a lot of good people around". The sign is illuminated and set against a dark background, possibly a wall or a window at night. The text is written in a simple, sans-serif font.

Great expectations of huge amounts have attracted attention and brought people together around this agenda

Now needed is clearer common understanding.

Thank-you

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